

## Message Text

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PAGE 01 STATE 198186  
ORIGIN STR-07

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FM SECSTATE WASHDC  
TO USMISSION GENEVA PRIORITY  
AMEMBASSY TOKYO

C O N F I D E N T I A L STATE 198186

E.O. 11652: N/A

TAGS: ETRD, MTN, JA

SUBJECT: JAPANESE SHENANIGANS ON PAPER

1. SECTOR ADVISOR HELD TELECOM WITH IRENE MEISTER, CHAIRMAN ISAC 4, PAPER AND PAPER PRODUCTS ON AUGUST 3. SHE ASKED THAT THE FOLLOWING BE PASSED ALONG ON A VERY CONFIDENTIAL BASIS TO PROTECT HER SOURCES.

2. THE JAPANESE PAPER INDUSTRY IS VERY CONCERNED ABOUT THE CONCESSIONS WE HAVE BEEN ABLE TO GET ON PAPER FROM THE JAPANESE GOVERNMENT AND APPARENTLY THEY MUST FEAR MORE CONCESSIONS. SO DISTURBED ARE THEY THAT THEY HAVE SENT A JAPANESE EMISSARY TO THE U.S., A MR. FUKUO ENDO, PRESIDENT OF KANZAKI PAPER MANUFACTURE, A SMALL PAPER COMPANY. MR. ENDO PURPORTS TO BE AN EMISSARY FROM PRIME MINISTER FUKUDA AND MENTIONS HIS RELATIONSHIP TO FUKUDA BY MARRIAGE. THE PURPOSE OF MR. ENDO'S VISIT IS TO PUT PRESSURE ON THE U.S. PAPER AND OTHER INDUSTRIES SO THAT THE U.S. WILL WITHDRAW ITS REQUESTS FOR CONCESSIONS.  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 198186

3. MR. ENDO HAS BEEN APPROACHING CHEMICAL COMPANIES THAT SELL CHINA CLAYS (A PAPER COATING MATERIAL) TO JAPAN AND ASKING THEM TO INTERCEDE WITH THE PAPER INDUSTRY, INTI-

MATING THAT THE JAPANESE INDUSTRY WILL BE FORCED TO BUY LESS CLAY FROM THE U.S. IF SOMETHING IS NOT DONE. HE

HAS ALSO BEEN TO SEE CERTAIN U.S. PAPER PRODUCERS WHICH ARE NOT TERRIBLY EXPORT MINDED, INTIMATING THAT THEY STAND TO LOSE THEIR EXPORT SALES OF WOOD CHIPS AND PULP IF U.S. PAPER INDUSTRY IS NOT RESTRAINED.

3. AMONG OTHER CONTACTS, HE HAS VISITED THE FORMER PRESIDENT OF API, MR. LOCK, (IRENE'S OLD BOSS) AND THE FUTURE CHAIRMAN OF API, THE PRESIDENT OF CHAMPION INTERNATIONAL. HE HAS NOT TRIED TO CONTACT IRENE OR ANY OF THE SAVVY EXPORT MINDED COMPANIES SUCH AS WEYERHAUSER.

4. HIS PITCH IS THAT IF THE AMERICAN INDUSTRY DOES NOT GET OFF THE BACK OF THE JAPANESE PAPER INDUSTRY, THE JAPANESE INDUSTRY WILL SUFFER DISASTROUS CONSEQUENCES. HE PRESENTS STATISTICS SHOWING THE DOUBLING IN U.S. PAPER EXPORTS TO JAPAN BETWEEN 1976 AND 1977 AS AN INDICATION OF INDUSTRY'S COMPETITIVE PROBLEMS AND RELEVANT PRICE DATA.

5. HIS ARGUMENTS, OF COURSE, ARE BASED ON THE CURRENT SITUATION WHICH IS ADMITTEDLY POOR, PRIMARILY BECAUSE OF CAPACITY PROBLEMS AND THE YEN REVALUATION. DR. MEISTER POINTS OUT THAT THESE FACTORS ARE TRANSIENT ONES AND SUGGESTS THAT THE U.S. GOVERNMENT COULD ACTUALLY PROPOSE TO THE JAPANESE GOVERNMENT THAT IN LIGHT OF THEIR INDUSTRY'S POOR PERFORMANCE CURRENTLY THAT DUTY REDUCTIONS

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 198186

BE STRETCHED OUT OVER AS LONG A PERIOD AS POSSIBLE OR PERHAPS BACK END LOADED.

6. MEISTER IS SENDING STR WASHINGTON A COPY OF A PAPER MR. ENDO IS PASSING AROUND IN WHICH, SHE SAYS, THE INTIMATIONS OF RETALIATION ARE EXPRESSED AS OPEN THREATS.

7. MEISTER REITERATED AGAIN THE INDUSTRY'S INTEREST IN THE JAPANESE MARKET. SHE ASKS THAT THE U.S. DELEGATION CONCENTRATE ON GETTING FORMULA CUTS ON BTN 4801-22303, -22404, -22505, -22606, -31001, -32904, -41001, -42002, -49103 (OF WHICH -31001 IS MOST IMPORTANT AND -32904 SECOND). BECAUSE OF THE SQUEEZE PLAY THE INDUSTRY IS NOW CAUGHT IN DUE TO THE TRADE ARRANGEMENT BETWEEN THE EC AND EFTA, SHE FEARS THE FUTURE POSSIBILITY OF A PACIFIC FREE TRADE AREA. SHE SAYS THIS POSSIBILITY IS ONE MORE IMPORTANT REASON FOR GETTING DUTIES DOWN NOW. CHRISTOPHER

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## Message Attributes

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**TAGS:** ETRD, JA, US, MTN, (ENDO)  
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